



CALIFORNIA Economic Indicators

January–February 2004

A Better Outlook from Revisions

The latest jobs numbers yield some positive signs for the state's labor market.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

For quite some time, California's employment picture has conflicted with other economic indicators by failing to reveal the start of a solid recovery. Throughout 2003, official employment estimates deteriorated in the face of positive signs such as a booming real estate market, strong residential construction, and rising income tax withholding. However, recent revisions to 2003 employment estimates bring the employment picture more into line with these other signs and indicate that there was some improvement during the latter half of 2003.

Employment

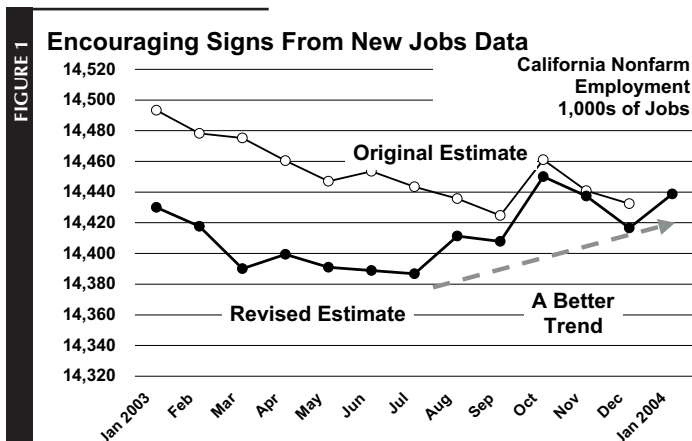
California's nonfarm payroll employment estimates released in February incorporate the yearly benchmark revision process. Overall, the revised estimates, which affect historical data going back to April 2002, indicate that average total industry employment was 43,500 lower in 2003 than initially projected. This is a relatively small revision, only about 0.3 percent. More significantly, the downward revisions predominantly affected the first half of the year, but left the year-end employment level essentially unchanged. Under the original estimates, nonfarm employment suffered an average monthly loss of 1,900 during the first six months of the year. The revised estimates indicate an average monthly loss of 12,250. But during the second half of 2003, where the original estimates showed employment falling by 3,500 per month on average, the revised numbers indicate an average monthly **gain** of 4,600. Thus, the revised numbers paint a more encouraging picture of an upward employment trend leading into 2004.

2004 May Have Gotten Off to a Good Start

Although the timing of the annual revisions sometimes clouds the accuracy of the January industry employment estimates, 2004 started off on a positive note with the addition of 22,200 nonfarm payroll jobs. The December-to-January gains were led by the Construction and Leisure sectors, each of which added 7,900 jobs. The Trade, Transportation, and Utilities sector added 5,700 jobs; Education and Health Services, 4,600; Information, 2,000; Professional and Business Services, 1,600; Other Services, 1,400; and Government, 700 jobs.

INSIDE

2004-2005 Economic Outlook	3
Economic Indicator Tables	8
Economic Indicator Charts	12
Business Cycles	16
Chronology	17



Another positive note is the fact that only three major industries lost jobs in January. Resources and Mining lost 1,000 jobs; Manufacturing, 2,900; and Financial Activity, 5,700.

On a year-over-year basis, California nonfarm employment rose by a scant 8,800 in January. This is, however, the first year-over-year gain since December 2002. Employment expanded by 41,100 in Educational and Health Services; 36,200 in Professional and Business Services; 25,000 in Financial Activity; 22,300 in Construction; 11,700 in Leisure and Hospitality; 11,200 in Trade, Transportation and Utilities. Industry employment fell by 61,500 in Manufacturing; 59,000 in Government; 13,100 in Information; 3,100 in Other Services; and 2,000 in Resources and Mining.

Dubious Unemployment News

There was mixed news for California's unemployment rate in January 2004. The rate dropped to 6.1 percent from a revised 6.5 percent in December 2003 (initially reported as 6.4 percent). But, the seasonal adjustment factors used to make January estimates are larger than those used for other months, which means the January results are less precise, on average, than the results for other months. For example, civilian employment rose by a suspiciously large 132,000 in January. It is very unlikely that that actually was the case, since monthly employment gains averaged only 6,500 throughout 2002 and 2003. This gain is also very out of proportion with the nonfarm employment gains noted above. Therefore, it is unlikely that unemployment was as low as 6.1 percent in January.

Building Activity

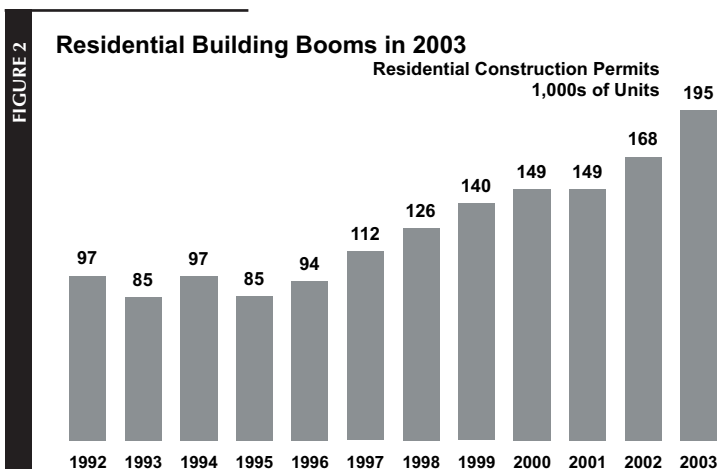
Home Building Is Strong And Steady

Residential construction ended 2003 on a strong note. Residential building permits were issued at a seasonally adjusted annual rate of 192,000 units in December, a 4-percent increase from November and a substantial 26-percent gain over December 2002. In fact, home building during the last quarter of 2003 nearly matched the phenomenal pace that started the year off. Residential permits were issued at a pace of 200,000 units in October, November, and December, not far below the 214,000 pace set during the first three months of the year.

Residential construction during 2003 was the best it's been in more than a decade. Single and multi-family construction permits were issued for 195,000 units, which is more than double the home building pace set during most of the 1990s.

A Different Story For Nonresidential Construction

Commercial construction, on the other hand, did not end 2003 on as strong a note. In December, nonresidential construction improved from November, but was still nearly 12 percent below December 2002. Nonresidential construction activity, as measured by the value of permits issued during all of 2003, was off 4.6 percent from 2002. This marks the third consecutive year-over-year reduction, although it was not nearly as severe as the 13.4-percent drop in 2002. An optimistic sign, though, appeared in office construction activity. After skyrocketing in the late 1990s and then crashing in 2001, office construction has been a significant drag on nonresidential construction in California. However, the pace of office construction permitting advanced steadily during the last three months of 2003, and December's pace beat the rate posted a year earlier by 13.4 percent.



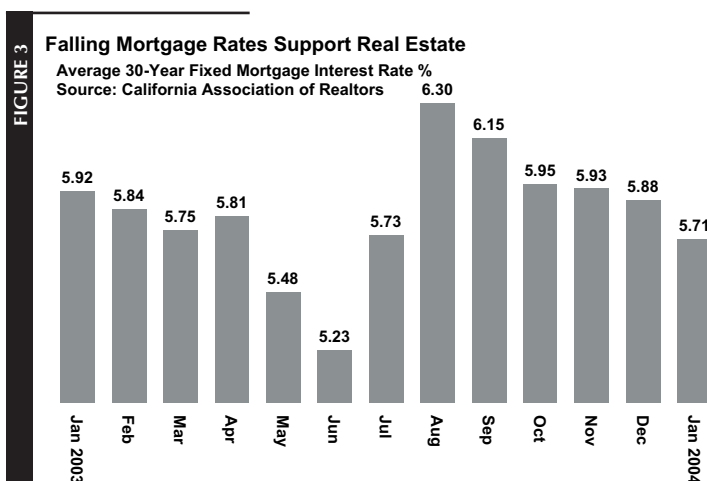
Regionally speaking, inland regions were the only source of significant nonresidential construction growth in 2003. The Riverside-San Bernardino metropolitan area grew by 14.5 percent, led by a nearly 118-percent increase in office construction, and was the only major metropolitan area with expanding office construction. The Sacramento metropolitan area ran a close second, with a 14.1-percent increase in nonresidential permitting, led by strong retail construction.

San Francisco Bay Area construction slowed across all commercial building categories in 2003, with nonresidential construction down 29 percent compared to 2002. The Southern California metropolitan areas outside of Riverside-San Bernardino slowed only 3.8 percent in 2003, with gains in industrial and service station construction almost offsetting reductions in other building categories.

Real Estate

Real Estate Undaunted

Persistently low home mortgage interest rates and a limited supply of homes offered for sale are driving a strong real estate market in California. Thirty-year fixed mortgage interest rates, which peaked in August 2003 at 6.30 percent, have fallen steadily since, reaching 5.71 percent in January 2004, according to the California Association of Realtors. The Association's Unsold Inventory Index, which estimates the number of months needed to deplete the supply of homes on the market, fell to 2.0 months in January 2004 from 2.8 months a year ago. Even though the pace of existing home sales slowed slightly in January 2004, to 615,660 units at a seasonally adjusted-annual rate, it was still more than 5 percent faster than during January 2003. Not surprisingly, home prices continued their ascent in January. The median price of existing single-family homes sold in January reached \$405,720, a nearly 21-percent increase from January 2003 and the second consecutive month the median exceeded \$400,000. Home price appreciation is being led by Southern California, notably by the Los Angeles, Riverside/San Bernardino, and San Diego regions.



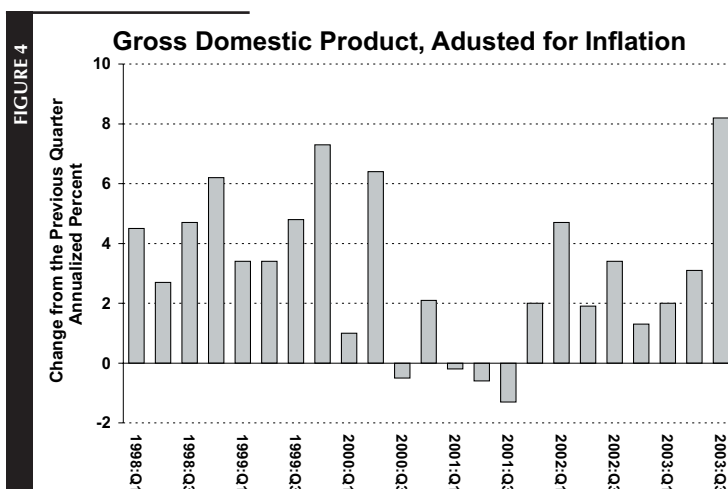
2004–2005 ECONOMIC OUTLOOK

The following is from the Governor's 2004–05 Budget. The forecasts were prepared in late November 2003 and are based on information available at that time.

The national and California economies strengthened in the second half of 2003. Increased business investment and job growth—the two missing pieces of a sustainable, stronger economic recovery—appeared to be in place as the year ended. Improved labor markets and stronger output growth are expected for both economies in 2004 and 2005.

National economic output expanded at its fastest rate in nearly 20 years in the third quarter. Even better, the gain was broad-based across spending categories. Tax refunds and tax rate cuts spurred consumers to boost their spending. Businesses invested considerably more in equipment and software. Residential construction posted a big gain. Even net exports added to the economy's growth. While the first estimate of fourth quarter economic output will not be released until late January, monthly statistics in October and November depicted an economy continuing to forge ahead. Particularly encouraging, nonfarm payroll employment grew for the fourth consecutive month in November.

California personal income increased for the sixth consecutive quarter in the second quarter of 2003. Also encouraging, exports of made-in-California merchandise began to increase again in the third quarter after falling for nearly three years, and taxable sales posted a fifth consecutive year-over-year gain. In addition, manufacturing activity expanded in the third quarter in the Inland Empire and Orange County, according to local surveys of purchasing managers. But California labor markets were not as strong as those in the rest of the nation, on average, near year-end. Southern California labor strikes played a role in that below-average performance.



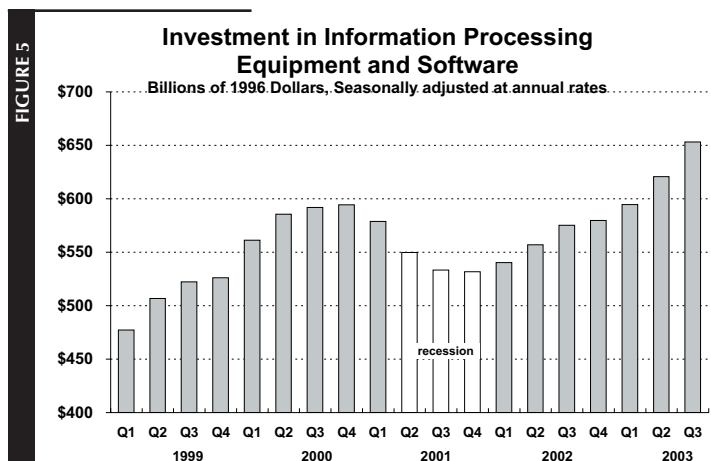
The Nation — Strengthening Recovery

Adjusted for inflation, the national economy grew by an annualized 8.2 percent in the third quarter—the fastest pace since the first quarter of 1984 (Figure 4). While personal consumption expenditures made the biggest contribution to that growth, the other three major spending categories—gross private domestic investment, net exports of goods and services, and government spending—also contributed.

Spurred by recent tax cuts, including an advance payment of \$400 per child on an expanded federal tax credit for children under 16 and reduced withholding, households spent significantly in the third quarter. Real personal consumption expenditures grew by 6.4 percent. Sales of light vehicles were especially strong as better factory incentives on new cars and light trucks sped vehicles off dealer lots in July and August. Spending on other durables, nondurables, and services was also robust. A reduction in factory incentives in September pulled down light vehicles sales, however.

Businesses did their part by boosting investment considerably in the third quarter. Gross private domestic investment grew by over 18 percent at a seasonally adjusted, annual rate. Within this category, nonresidential fixed investment expanded by 14 percent—its first double-digit gain since 2000—and residential investment, by 23 percent. Inventory investment, by falling less in the third quarter than in the second, also contributed significantly to growth in gross private domestic investment.

The large hike in business investment contained good news for the nation's high-tech sector. Spending on information processing equipment and software surged by 23 percent (Figure 5). Investment in computer and peripheral equipment, a component of information processing equipment, soared by 47 percent on top of a 53 percent gain in the second quarter—the best two consecutive quarters since 1999. All of this was particularly encouraging because the primary cause of the economy's sluggishness earlier in the recovery was weak business investment.



Net exports and government spending did not contribute much to output growth, but gains in net exports are so rare today that they deserve to be noted. Net exports boosted economic growth by subtracting less from Gross Domestic Product in the third quarter than in the second quarter. Exports rose by 11 percent while imports inched up by 1.5 percent. Government spending, on the other hand, can make a significant contribution to economic growth, as it did in the second quarter when defense spending skyrocketed. But defense spending fell slightly in the third quarter, making the government sector's contribution quite small.

Aside from the good news on spending, the third-quarter real GDP report had positive implications for business profits. With soaring output growth and only modest increases in hours worked, economic profits exceeded \$1 trillion on an annualized basis. The high point for economic profits during the 1990s expansion was \$860 billion in the third quarter of 1997.

Monthly statistics on the economy's performance in October and November also were heartening. Some of the best news came from the labor markets, where unemployment went below 6 percent again in November, and nonfarm payroll employment grew for the fourth consecutive month. The string of job gains nearly guarantees that nonfarm employment posted a gain in the fourth quarter. If so, it was only the third gain in three years. However, manufacturing jobs dropped for the 40th consecutive month in November.

In addition, the University of Michigan consumer sentiment index rose to 93.7 in November, higher than it averaged in 2001, 2002, and the first ten months of this year. And, the Institute for Supply Management's (ISM) non-manufacturing index remained above 60 in November, suggesting that the services sector continued to grow very strongly well into the fourth quarter. (A reading above 50

indicates expansion.) Not to be outdone, the ISM's manufacturing index jumped to 62.8 in November, its highest level in nearly 20 years. Moreover, the manufacturing employment sub-index topped 50 for the first time in three years. Low inventory levels and strong sales have finally prompted a surge in manufacturing activity. Elsewhere, residential housing starts reached their highest level since 1986 in October, but light vehicle sales slumped again in October before rebounding in November.

Despite these encouraging signs, it is unlikely that economic output grew as quickly in the fourth quarter as it did in the third. Households received tax cuts worth \$120 billion at an annual rate in the third quarter and apparently spent much of it. The tax cuts will remain in force through at least the end of 2004, but there are no additional planned cuts to provide a further boost in growth.

Also, with higher interest rates slowing home refinancing, cash-out refinancing did not provide the kick to spending that it did in the third quarter. Moreover, generous incentives on new vehicles padded third quarter consumer spending at the expense of fourth quarter growth. And, new labor contracts with the United Auto Workers union make it easier to close plants, eliminating the need to offer generous buyer incentives. Instead of adding about \$30 billion to real GDP, as seen in the third quarter, the throttling back on incentives probably reduced spending on light vehicles by over \$40 billion in the fourth quarter. Excluding light vehicles purchases, consumer spending likely grew by about 3.6 percent at an annual rate in the fourth quarter as compared to 4.8 percent in the third quarter.

Despite the slowdown in consumer spending, economic output likely grew by about 3.6 percent in the fourth quarter, as firms continued to boost their investment in new equipment and software. Also, inventories grew in September and were expected to grow throughout the fourth quarter. Businesses drew down inventories in the second and third quarters and likely had to rebuild them with the economy growing more strongly.

International trade was the most uncertain sector for the fourth quarter. Net exports added to economic growth in the third quarter, but the last time they added to economic growth in consecutive quarters was in 1995. The U.S. dollar has declined by nearly 12 percent in trade-weighted value since early 2002, making domestically produced goods more competitive. Over the long run, a weaker dollar should lead to stronger net exports. Recent data on foreign capital flows into the U.S. treasury and stock markets indicate a marked slowdown of foreign interest in U.S. financial assets. Most likely, net exports deteriorated slightly in the fourth quarter.

Growth should accelerate to 4.2 percent in 2004. After cooling in the fourth quarter, consumer spending will pick up in 2004, fueled by bigger employment gains and larger than normal tax refunds. The tax package in May 2003 lowered rates for the entire year but only adjusted tax withholding on wages starting in July. As a result, workers likely had too much withheld from their paychecks in 2003. The overpayment will increase tax refunds in the first two quarters of 2004. Large tax refunds and moderate employment gains, especially in the second half of the year, will result in a 3.5 percent to 4 percent gain in real consumer spending for 2004.

FIGURE 6

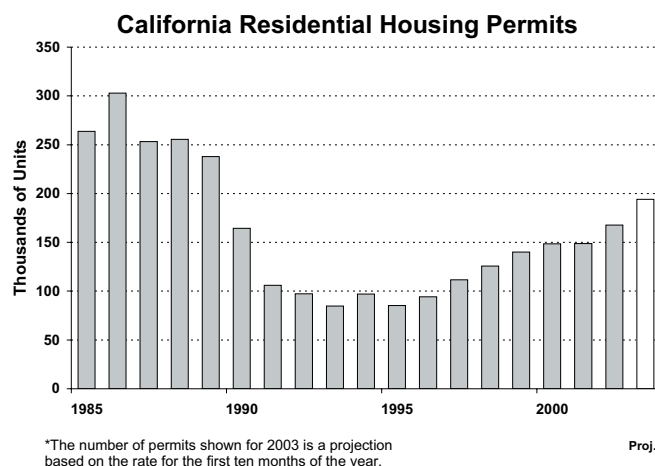


FIGURE 7

Selected Economic Data for 2003, 2004, and 2005

	Forecast		
United States	2003	2004	2005
Real gross domestic product (1996 dollar, percent change)	2.9	4.2	3.6
Personal consumption expenditures	3.1	3.5	3.4
Gross private domestic investment	3.5	9.1	4.7
Government purchases of goods and services	3.3	2.4	1.3
GDP deflator (1996=100, percent change)	1.6	1.6	1.8
GDP (current dollar, percent change)	4.6	5.9	5.5
Federal funds rate (percent)	1.12	1.44	2.63
Personal income (percent change)	3.2	5.1	5.8
Corporate profits before taxes (percent change)	15.6	11.2	37.3
Nonfarm wage and salary employment (millions)	130.1	131.7	134.5
(percent change)	-0.2	1.3	2.1
Unemployment rate (percent)	6.0	6.0	5.8
Housing starts (millions)	1.79	1.72	1.63
(percent change)	4.7	-4.2	-5.3
New car sales (millions)	7.6	7.7	7.7
(percent change)	-5.5	0.4	0.7
Consumer price index (1982-84=100)	184.1	187.7	192.0
(percent change)	2.3	2.0	2.3
California			
Civilian labor force (thousands)	17,618	17,818	18,139
(percent change)	1.2	1.1	1.8
Civilian employment (thousands)	16,440	16,629	16,954
(percent change)	1.2	1.2	2.0
Unemployment (thousands)	1,179	1,189	1,185
(percent change)	1.6	0.8	-0.3
Unemployment rate (percent)	6.7	6.7	6.5
Nonfarm wage and salary employment (thousands)	14,443	14,602	14,906
(percent change)	-0.2	1.1	2.1
Personal income (billions)	\$1,199.0	\$1,266.4	\$1,340.6
(percent change)	3.8	5.6	5.9
Housing units authorized (thousands)	194	192	198
(percent change)	15.8	-1.5	3.2
Corporate profits before taxes (billions)	\$98.2	\$110.0	\$118.5
(percent change)	4.9	12.0	7.8
New auto registrations (thousands)	1,710	1,703	1,746
(percent change)	-0.7	-0.4	2.5
Total taxable sales (billions)	\$451.1	\$477.2	\$503.0
(percent change)	2.3	5.8	5.6
Consumer price index (1982-84=100)	190.6	194.2	199.4
(percent change)	2.4	1.9	2.7

Note: Percentage changes calculated from unrounded data.

The stronger economic climate and the temporary tax incentives for investment in equipment and some software introduced in the May 2003 tax package will boost investment spending further in 2004. With the tax incentives scheduled to expire at the end of 2004, businesses will speed up purchases of equipment and software to take advantage of the incentives. Investment in producer's durable equipment is expected to grow by over 11 percent in 2004 compared to just over 5 percent in 2003.

Investment in nonresidential structures will pick up, but high vacancy rates for commercial and industrial structures will keep growth slow. Higher mortgage rates should finally slow down residential construction. Still, home building has been surprisingly resilient for many years.

Nonfarm payroll employment will grow by about 150,000 jobs per month in the first two quarters of 2004 before accelerating to about 250,000 per month for the remainder of the year. This is somewhat slow by historical standards, but rapid productivity growth and a more competitive international environment, especially in manufacturing, will restrain hiring.

Economic profits will be strong again in 2004, increasing by about 15 percent. Rising profits and relatively low interest rates will provide a good environment for additional stock market gains.

Tight energy supplies pose a risk to the outlook. Worldwide oil production is currently close to capacity, and the gap between supply and demand in the North American natural gas market is very thin. A disturbance to oil output or unusually cold weather in North America this winter could cause energy prices to soar just as world growth is set to accelerate in 2004. Although it would take a very large spike to completely derail the U.S. recovery, a persistent rise in energy prices would dampen growth.

California — Improving Vital Signs

The California economy also is looking better. State personal income is increasing. Housing markets continue to be healthy with surprisingly strong price appreciation. New business incorporations are up from a year ago. Taxable sales were higher than a year earlier in the last two quarters of 2002 and the first three quarters of 2003. The state's high-tech firms are making money again, tourism has improved, and made-in-California exports have finally turned up.

State personal income grew in the second quarter of 2003 (the most recent data) for the sixth consecutive quarter, and the cumulative growth of personal income over the six-quarter period was greater in the state than in the nation. The U.S. Commerce Department will not release its first estimate of California third quarter personal income until late January. That number will shed light on whether the state economy surged as much as the national economy in the third quarter. Until then, it is encouraging to note that third-quarter 2003 California personal income tax withholding was up about 8 percent from the year-ago level.

Statewide taxable sales also are improving. Third-quarter 2003 sales were higher than year-earlier sales, making it the fifth consecutive quarter of year-over-year gains. While the gains were modest, they were a considerable improvement over the declines of the preceding four quarters. And the third quarter gain was the biggest of the five consecutive gains, in line with the spurt in the national economy in the third quarter.

Recent payroll employment reports have brought little good news, however. Nonfarm payroll employment was essentially flat during 2002 and the first ten months of 2003. The grocers' strike in Southern California pulled down payroll employment in November and most likely held it down in December. Still, the percentage decline in jobs from the end of the national recession in November 2001 to November 2003 was a bit less in the state, 0.3 percent, than in the nation, 0.6 percent.

The hemorrhaging of jobs in the San Jose and San Francisco metropolitan areas has slowed considerably. Nonfarm payroll employment in November 2003 was down 3.4 percent from a year earlier in the San Jose metropolitan area and 1.4 percent in the San Francisco metropolitan area. A year ago, employment was down 6.4 percent and 3.4 percent, respectively, in the two metropolitan areas. By the same measure, however, job growth slowed over the last year in all the other major metropolitan areas except for Bakersfield. Job growth has become much less varied across major metropolitan areas in the state.

Construction was up in the first ten months of 2003. Through October, home permits were on a pace to hit 194,000 units for the year, roughly a 16 percent gain over 2002 and the highest level since 1989 (Figure 6). Five counties accounted for nearly half of the units permitted: Riverside, Los Angeles,

San Diego, Sacramento, and San Bernardino. Private sector nonresidential building, on the other hand, was down in value, with a decline in new office building construction most responsible. If private-sector nonresidential building was down for the year as a whole, it was the third consecutive yearly decline. Public works construction was up slightly with a sizable gain in public building construction—such as schools and community colleges—more than offsetting a considerable decline in roads, bridges, and other heavy construction.

California housing markets were strong again in 2003. In the first ten months of 2003, sales of existing, detached single-family homes were up 3.5 percent from a year earlier, according to the California Association of Realtors. The year-over-year percentage increase in the median price of these homes was in the mid-teens most months. The median price breached \$400,000 for the first time in August before dipping below that figure in September and October.

Commercial real estate markets were a bit better. Office vacancy fell in the Oakland and San Jose metropolitan areas and Orange, San Diego, and Ventura Counties in the third quarter of 2003. Office vacancy in the San Jose and San Francisco metropolitan areas continued to be considerably above the national average for U.S. markets surveyed by CB Richard Ellis. Ventura and San Diego Counties and the Sacramento metropolitan area, on the other hand, were among the five metropolitan areas with the lowest office vacancy rates. Sacramento's vacancy rate, however, has increased over two percentage points in the last year. Industrial vacancy was less of a problem despite vacancy being slightly above the national average in San Francisco and considerably above the national average in Sacramento in the third quarter. Vacancy rates in San Diego and Los Angeles were well below the national average.

Exports of California-made merchandise are growing again after falling by about 25 percent from the third quarter of 2000 to the third quarter of 2003. With high-tech products making up such a big share of California exports (more than 50 percent in 2000), the global high-tech recession took a bigger toll on California's exports than on almost all other states'. State exports of computer and electronics products fell by 46 percent. It looks like exports of California-made computer and electronics products may be growing again. Exports of transportation equipment, chemicals, agricultural products, and food and kindred products grew considerably over the last four quarters. By major markets, state exports to Mexico, South Korea, the United Kingdom, and Taiwan fell substantially between the third quarter of 2002 and the third quarter of 2003, while those to Japan, Canada, Hong Kong, and Australia grew considerably.

California's tourism industry continues to improve while remaining below pre-September 11 levels. The "drive-to" market is doing best, convention business is improving, but business travel remains weak. Hotel and motel occupancy rates improved in all major markets, except San Jose, in the first nine months of 2003, but in most cases at the expense of lower average daily room rates.

The recovery of the California economy broadened and strengthened in the second half of 2003. The turnaround in state exports and taxable sales is an important step toward stronger growth. A year ago, state exports were falling at a brisk pace, and taxable sales were in the middle of four consecutive quarterly year-over-year declines. In addition, job losses slowed considerably in the San Jose metropolitan area and may have ended in the San Francisco and San Jose metropolitan areas as 2003 wound down. Profits are again being made in the Silicon Valley. Residential construction and real estate remain strong.

The outlook for the California economy in 2004 depends heavily on the fate of the national economy. The national economy grew at breakneck pace in the third quarter of 2003. Most likely the California economy did as well, but enough quarterly economic statistics on the state economy to confirm that assertion will not be available until at least the end of January 2004. By one important measure, job growth, the state economy under-performed the national economy in the second half of 2003. While strikes in Southern California were at least partly responsible, it will be important to see some job growth in the early months of 2004. Job growth is necessary for a sustainable stronger recovery.

Low interest rates and a considerable amount of federal fiscal stimulus will boost the state and national economies in 2004. Cuts in expenditures to reduce state and local government budget deficits will be a drag on the state and national economies, however. On balance, the outlook for the California economy is for moderate growth in 2004 and even better growth in 2005 (Figure 7). Unemployment will likely remain above 6 percent throughout the period. Personal income will grow by about 5.6 percent in 2004 and almost 6 percent in 2005—good, but not as quickly as in past recoveries. Consumers are the linchpins of this outlook. They have to continue to be optimistic that stronger labor markets lie just ahead.

Select Indicators

	2003			2004		Year-Over % Change
	Feb	Nov	Dec	Jan	Feb	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,244	16,334	16,347	16,480	16,487	1.5%
Unemployment (000)	1,185	1,146	1,140	1,097	1,083	-8.6%
Unemployment rate	6.8	6.6	6.5	6.2	6.2	--
Nonagricultural wage and salary employment (000)	14,417.6	14,437.4	14,416.6	14,442.7	14,451.5	0.2%
Goods-producing industries	2,380.4	2,348.1	2,348.5	2,354.2	2,357.6	-1.0%
Natural resources and mining	22.6	22.2	21.4	20.7	21.0	-7.1%
Construction	783.0	797.4	799.6	807.1	811.9	3.7%
Manufacturing	1,574.8	1,528.5	1,527.5	1,526.4	1,524.7	-3.2%
Service-providing industries	12,037.2	12,089.3	12,068.1	12,088.5	12,093.9	0.5%
Trade, transportation, and utilities	2,717.2	2,735.4	2,724.5	2,731.9	2,729.4	0.4%
Information	486.5	472.6	464.7	466.2	468.7	-3.7%
Financial activities	871.3	895.7	896.8	890.1	893.4	2.5%
Professional and business services	2,095.7	2,131.7	2,133.9	2,135.1	2,144.6	2.3%
Educational and health services	1,517.6	1,549.6	1,554.6	1,558.5	1,556.6	2.6%
Leisure and hospitality	1,394.8	1,400.5	1,398.4	1,404.4	1,406.1	0.8%
Other services	506.9	504.4	503.0	502.7	500.9	-1.2%
Government	2,447.2	2,399.4	2,392.2	2,399.6	2,394.2	-2.2%
<i>High-technology industries b/</i>	<i>898.5</i>	<i>862.1</i>	<i>862.6</i>	<i>858.8</i>	<i>858.4</i>	<i>-4.5%</i>
<i>Computer and electronic products manufactur</i>	<i>334.1</i>	<i>319.7</i>	<i>320.5</i>	<i>318.9</i>	<i>319.0</i>	<i>-4.5%</i>
<i>Aerospace products and parts manufacturing</i>	<i>75.8</i>	<i>72.3</i>	<i>72.4</i>	<i>72.3</i>	<i>72.0</i>	<i>-5.0%</i>
<i>Software publishers</i>	<i>46.0</i>	<i>43.6</i>	<i>43.3</i>	<i>43.0</i>	<i>42.9</i>	<i>-6.7%</i>
<i>Telecommunications</i>	<i>128.9</i>	<i>118.7</i>	<i>118.1</i>	<i>117.3</i>	<i>116.9</i>	<i>-9.3%</i>
<i>Internet service providers</i>	<i>49.7</i>	<i>48.4</i>	<i>48.3</i>	<i>48.1</i>	<i>47.9</i>	<i>-3.6%</i>
<i>Computer systems design</i>	<i>168.3</i>	<i>164.5</i>	<i>165.0</i>	<i>163.4</i>	<i>163.1</i>	<i>-3.1%</i>
<i>Scientific research and development</i>	<i>95.7</i>	<i>94.9</i>	<i>95.0</i>	<i>95.8</i>	<i>96.6</i>	<i>0.9%</i>
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	39.5	40.5	40.1	39.5	40.0	1.3%
Average weekly earnings	\$591.32	\$613.58	\$611.93	\$602.77	\$609.20	3.0%
Average hourly earnings	\$14.97	\$15.15	\$15.26	\$15.26	\$15.23	1.7%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	190.5	n.a.	190.1	n.a.	193.1	1.4%
San Francisco CMSA	197.7	n.a.	195.3	n.a.	198.1	0.2%
Los Angeles CMSA	186.5	187.1	187.0	188.5	190.1	1.9%
Urban Wage Earners and Clerical Workers Series						
California Average	183.7	n.a.	183.3	n.a.	186.4	1.5%
San Francisco CMSA	193.7	n.a.	191.1	n.a.	194.1	0.2%
Los Angeles CMSA	179.6	180.5	180.2	181.7	183.4	2.1%
CONSTRUCTION						
Private residential housing units authorized (000) c	261	185	196	194	204	-21.9%
Single units	144	136	153	162	141	-2.1%
Multiple units	117	50	43	32	63	-46.2%
Residential building authorized valuation (millions)	\$45,547	\$38,089	\$40,062	\$42,280	\$43,772	-3.9%
Nonresidential building authorized valuation (millio	\$14,347	\$12,241	\$13,954	\$12,785	\$13,083	-8.8%
Nonresidential building authorized valuation (millio	1,038	931	1,113	948	947	-8.7%
Commercial	295	250	344	295	302	2.5%
Industrial	84	75	116	82	51	-38.9%
Other	203	202	250	190	165	-18.9%
Alterations and additions	456	404	402	382	429	-5.8%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	141,640	137,521	153,936	142,566	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).

b/ Not seasonally adjusted

c/ Seasonally adjusted at annual rate

d/ Seasonally adjusted

e/ Not seasonally adjusted

n.a. Not available

Select Indicators *Continued*

VACANCY RATES FOR FOURTH QUARTER 2003

(Percent)

	Office Downtown		Office Suburban		Office Total		Industrial	
	4Q03	4Q02	4Q03	4Q02	4Q03	4Q02	4Q03	4Q02
Northern and Central California:								
Oakland	16.8	18.0	17.3	14.4	17.2	15.1	--	--
Sacramento	12.0	7.3	13.2	11.5	12.9	10.5	13.2	15.9
San Francisco	18.5	18.3	25.1	24.4	20.6	20.1	13.1	12.6
San Jose	17.3	19.1	19.9	22.1	19.3	21.5	--	--
Southern California:								
Los Angeles Metro	17.4	16.7	14.7	11.5	15.2	12.4	9.0	9.2
Orange County	--	--	13.5	16.3	13.5	16.3	--	--
San Diego	10.7	10.5	11.7	11.9	11.5	11.6	11.2	9.3
Ventura County	--	--	11.1	13.8	11.1	13.8	--	--
National Average	14.5	13.5	18.0	16.8	16.7	15.6	11.6	11.5

FOREIGN TRADE THROUGH CALIFORNIA PORTS

SALES OF EXISTING SINGLE-FAMILY HOMES

DOD PRIME CONTRACTS *a/*

		Median Price	Units (SAAR)	Exports (\$ millions)	Imports (\$ millions)		\$ millions	% of U.S.
2001	Jan	\$244,110	502,800	\$12,284	\$19,173	1981-82	\$22,685	21.8%
	Feb	241,690	486,370	11,595	16,201	1982-83	26,387	22.2%
	Mar	257,550	518,410	12,390	19,475	1983-84	28,520	23.0%
	Apr	255,310	495,390	10,492	17,624	1984-85	29,115	20.8%
	May	255,860	505,590	10,948	16,885	1985-86	27,738	20.4%
	Jun	266,930	526,570	10,721	18,274	1986-87	24,515	18.4%
	Jul	267,520	503,030	9,890	18,206	1987-88	23,458	18.7%
	Aug	282,420	571,070	10,288	18,277	1988-89	23,125	19.3%
	Sep	275,620	475,380	9,634	17,585	1989-90	22,312	18.4%
	Oct	263,020	494,920	10,038	19,532	1990-91	24,265	19.5%
	Nov	270,210	493,870	9,315	17,184	1991-92	23,843	21.2%
	Dec	281,330	474,490	9,659	15,525	1992-93	22,952	20.1%
2002	Jan	\$287,080	584,250	\$8,688	\$15,517	1993-94	22,573	20.5%
	Feb	294,870	610,380	8,429	15,768	1994-95	18,277	16.8%
	Mar	305,840	586,230	9,945	16,318	1995-96	18,230	16.7%
	Apr	317,120	643,030	9,274	17,807	1996-97	18,477	17.3%
	May	319,590	620,300	9,814	17,568	1997-98	17,401	15.9%
	Jun	324,640	533,840	9,984	18,988	1998-99	17,372	15.1%
	Jul	321,900	540,800	9,335	18,998	1999-00	18,100	14.7%
	Aug	334,270	562,780	9,948	19,686	2000-01	19,939	14.7%
	Sep	322,450	493,800	9,286	19,478	2001-02	23,816	15.0%
	Oct	324,670	579,240	8,794	18,753	2002-03	28,681	15.0%
	Nov	328,440	542,120	9,046	20,522			
	Dec	338,840	573,790	8,797	19,060			
2003	Jan	\$336,210	584,600	\$8,408	\$17,588			
	Feb	327,120	566,890	8,423	16,359			
	Mar	352,780	567,610	9,784	18,789			
	Apr	363,930	583,330	9,158	19,151			
	May	369,450	572,270	9,090	18,537			
	Jun	375,610	572,130	9,743	19,774			
	Jul	383,390	595,860	9,604	20,743			
	Aug	400,020	645,720	9,626	19,846			
	Sep	380,040	631,880	8,968	21,060			
	Oct	380,350	636,690	10,341	23,021			
	Nov	384,930	627,190	9,969	21,320			
	Dec	403,570	637,080	10,437	20,528			
2004	Jan	\$405,720	615,660	\$9,062	\$19,996			

a/ U.S. fiscal year: October through September

Leading Indicators/^a

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
2001	Jan	4.1	39.9	47,065	7,474	194.6
	Feb	4.2	40.2	51,343	6,465	138.4
	Mar	4.0	39.9	53,726	6,562	146.5
	Apr	3.5	39.5	53,017	6,217	152.7
	May	3.8	39.7	56,205	6,714	152.8
	Jun	3.8	39.3	55,053	6,429	149.0
	Jul	3.8	39.5	55,764	6,494	129.5
	Aug	3.9	39.6	57,542	7,309	158.4
	Sep	3.9	39.5	59,829	6,149	114.3
	Oct	3.7	39.3	64,090	6,933	145.1
	Nov	3.6	39.0	57,914	7,216	141.3
	Dec	3.7	39.3	47,557	6,922	162.8
2002	Jan	3.8	39.0	66,867	7,175	150.8
	Feb	4.0	39.5	55,653	6,932	166.2
	Mar	4.1	40.0	60,564	7,369	147.1
	Apr	4.1	40.0	64,132	7,305	162.4
	May	4.1	39.7	60,539	8,520	156.2
	Jun	4.1	39.9	59,679	7,012	150.1
	Jul	4.0	39.3	63,104	7,174	179.7
	Aug	4.0	39.8	61,589	7,645	164.0
	Sep	3.9	39.8	61,305	7,726	182.8
	Oct	3.7	39.5	63,105	7,929	214.3
	Nov	3.9	39.6	58,190	7,370	188.6
	Dec	3.9	39.7	58,106	7,778	152.3
2003	Jan	3.9	39.7	60,938	7,275	192.8
	Feb	4.0	39.9	58,324	8,809	261.1
	Mar	3.7	39.8	58,847	7,228	188.4
	Apr	3.7	39.8	65,902	7,840	188.0
	May	3.8	39.9	60,158	7,772	210.2
	Jun	3.7	39.9	61,883	7,939	178.6
	Jul	3.9	39.5	61,862	7,913	197.8
	Aug	3.8	39.5	58,148	7,108	174.5
	Sep	3.9	39.4	58,124	8,865	193.0
	Oct	3.7	39.5	60,267	7,802	223.3
	Nov	4.1	40.1	53,659	7,275	185.4
	Dec	3.9	39.4	50,224	8,477	195.8
2004	Jan	4.0	40.1	50,745	7,905	194.5
	Feb	4.2	40.4	49,833	8,869	203.6

a/ Seasonally adjusted by the California Department of Finance.

Coincident Indicators

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2001	Jan	14,715	1,875	4.6	354
	Feb	14,720	1,866	4.7	356
	Mar	14,728	1,855	4.8	364
	Apr	14,666	1,831	4.9	386
	May	14,650	1,812	5.1	413
	Jun	14,641	1,797	5.2	421
	Jul	14,574	1,778	5.3	445
	Aug	14,582	1,761	5.6	471
	Sep	14,525	1,740	5.7	478
	Oct	14,512	1,723	6.0	524
	Nov	14,476	1,704	6.2	512
	Dec	14,449	1,689	6.3	520
2002	Jan	14,433	1,675	6.5	511
	Feb	14,451	1,667	6.6	538
	Mar	14,463	1,662	6.7	527
	Apr	14,466	1,656	6.7	541
	May	14,491	1,652	6.6	553
	Jun	14,470	1,645	6.7	542
	Jul	14,455	1,637	6.7	549
	Aug	14,475	1,629	6.7	530
	Sep	14,462	1,622	6.7	541
	Oct	14,479	1,615	6.7	541
	Nov	14,488	1,605	6.8	509
	Dec	14,462	1,594	6.8	517
2003	Jan	14,430	1,586	6.8	509
	Feb	14,418	1,575	6.8	514
	Mar	14,390	1,564	6.8	511
	Apr	14,399	1,559	6.8	571
	May	14,391	1,550	6.8	540
	Jun	14,389	1,541	6.8	552
	Jul	14,387	1,532	6.9	555
	Aug	14,411	1,528	6.8	535
	Sep	14,408	1,525	6.7	539
	Oct	14,450	1,530	6.7	520
	Nov	14,437	1,529	6.6	509
	Dec	14,417	1,528	6.5	510
2004	Jan	14,443	1,526	6.2	446
	Feb	14,452	1,525	6.2	445

		Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales (\$ millions)
2001	Qtr I	\$1,147,945	\$663,059	\$111,989
	Qtr II	1,134,569	651,966	111,275
	Qtr III	1,121,148	638,918	108,517
	Qtr IV	1,115,811	634,199	109,442
2002	Qtr I	\$1,138,871	\$638,577	\$108,528
	Qtr II	1,153,961	642,158	109,986
	Qtr III	1,160,405	643,080	111,384
	Qtr IV	1,167,754	648,558	110,449
2003	Qtr I	\$1,178,509	\$655,276	\$112,286
	Qtr II	n.a.	n.a.	113,415
	Qtr III	n.a.	n.a.	114,874

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.
n.a. Not available

■ ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

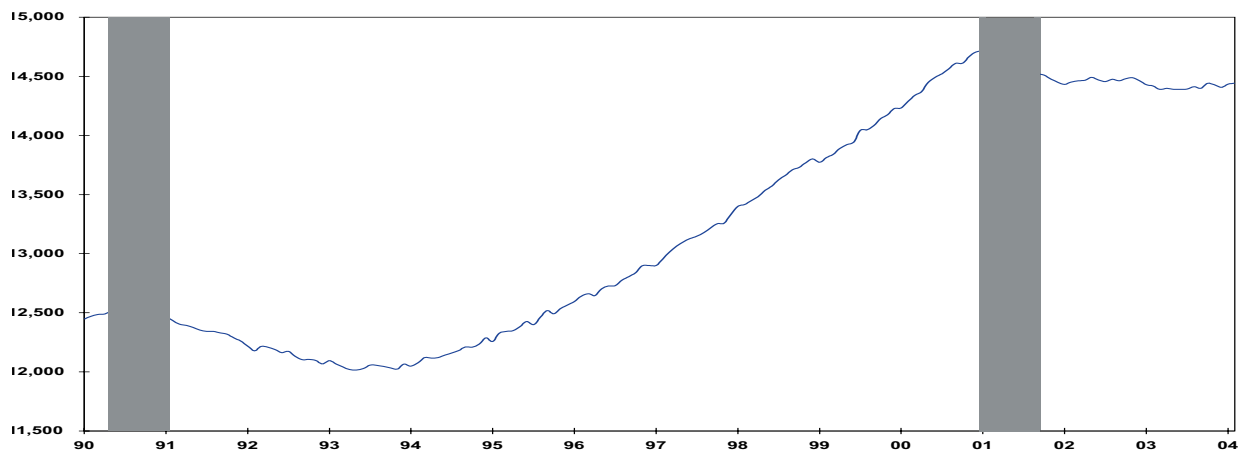
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

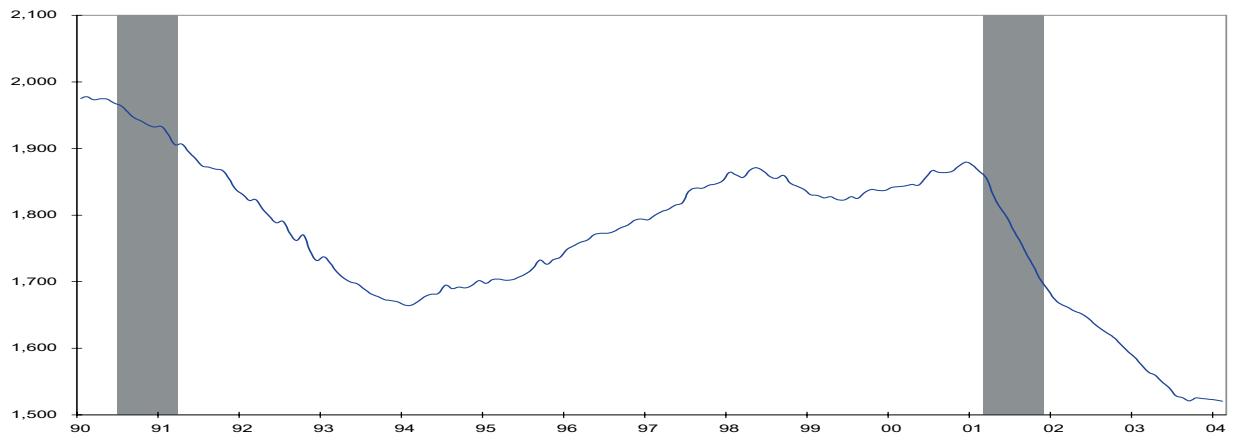
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

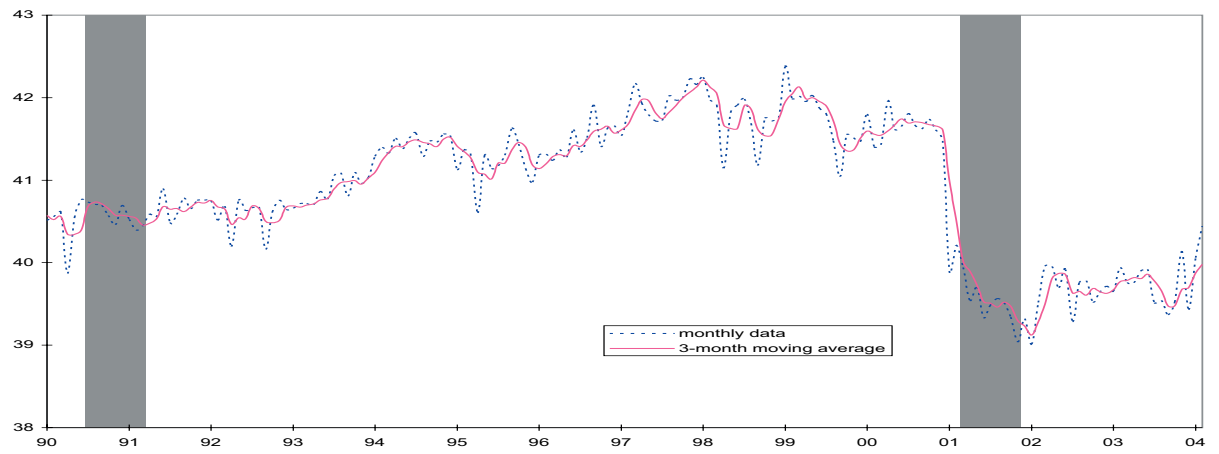
**Nonagricultural
Employment**
(thousands,
Seasonally Adjusted)



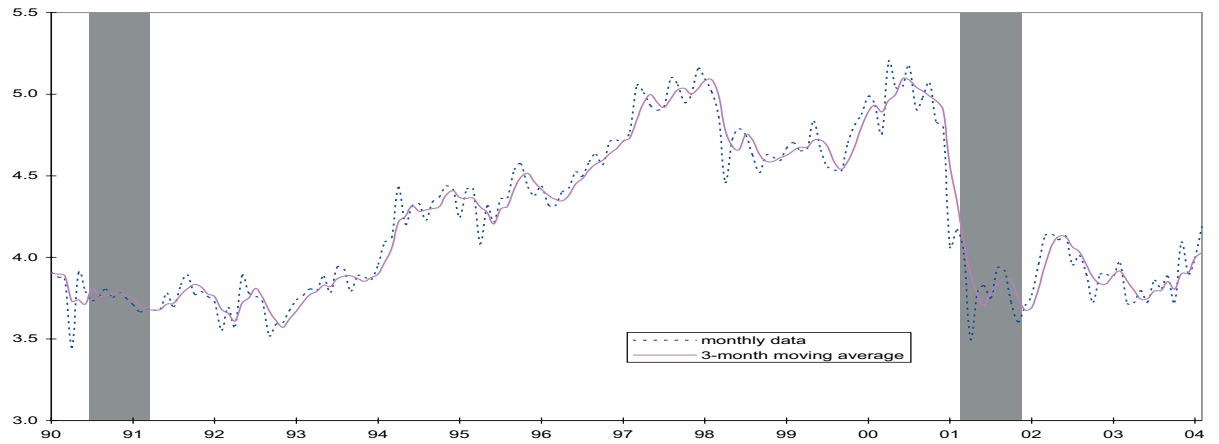
**Manufacturing
Employment**
(thousands,
Seasonally Adjusted)



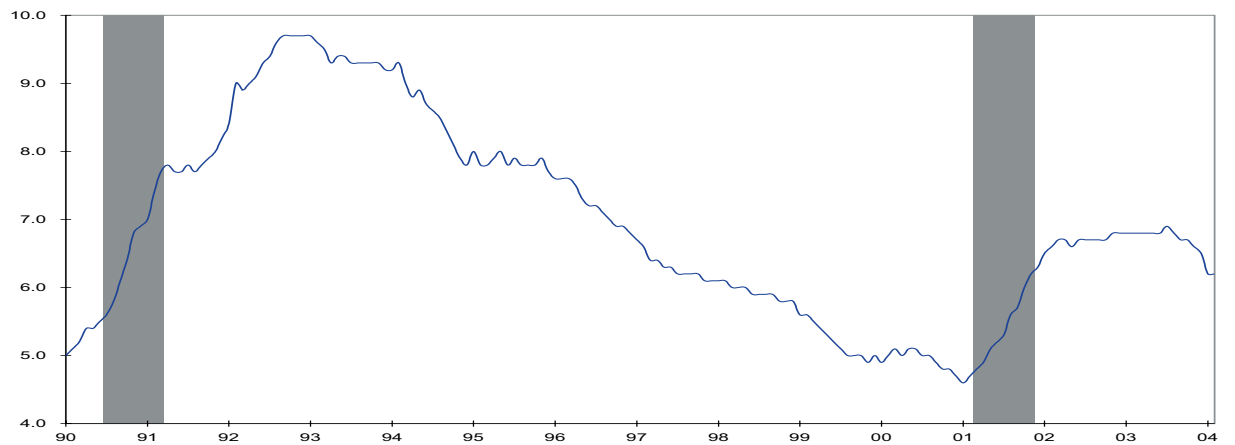
Average
Weekly Hours,
Manufacturing
(Seasonally Adjusted)



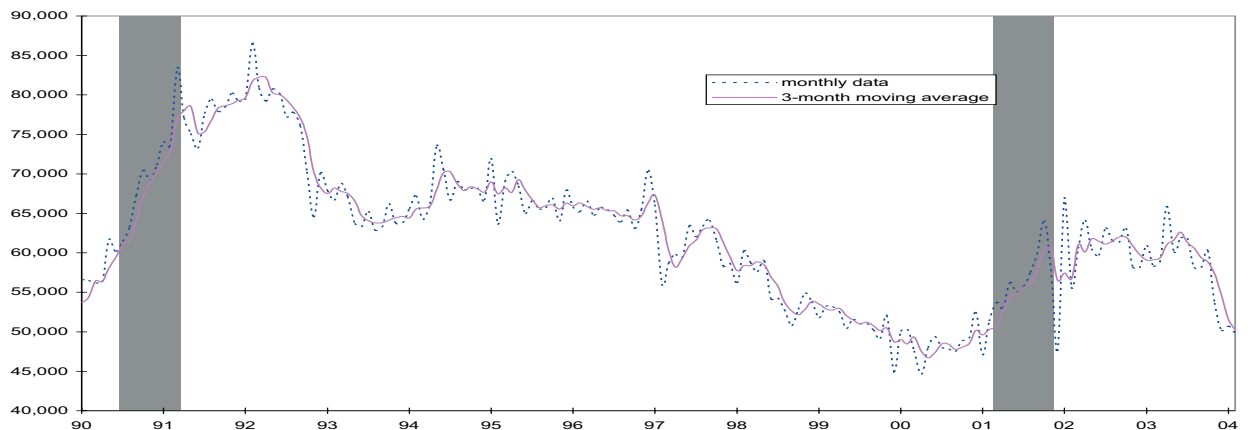
Average
Overtime Hours,
Manufacturing
(Seasonally Adjusted)



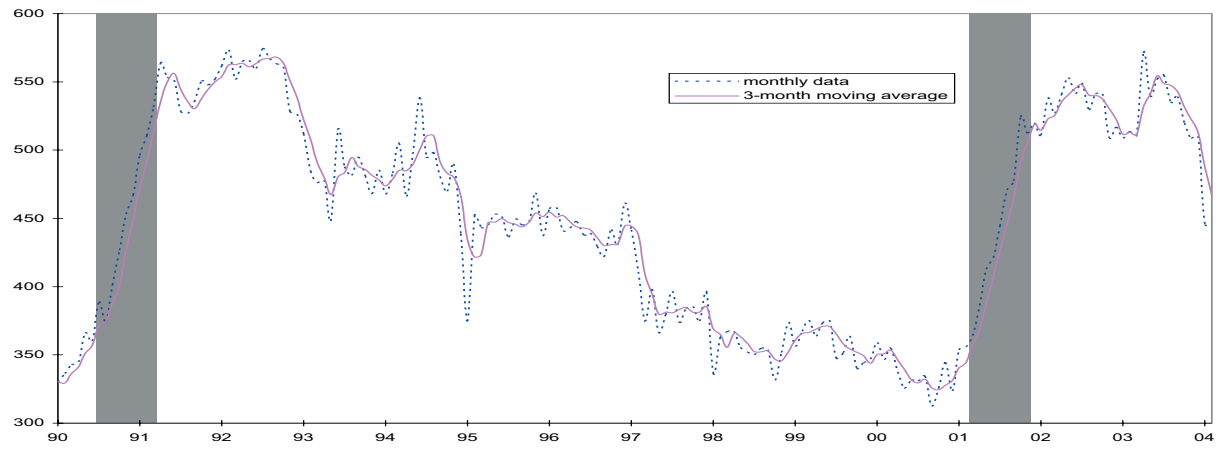
Unemployment
Rate
(Percent)



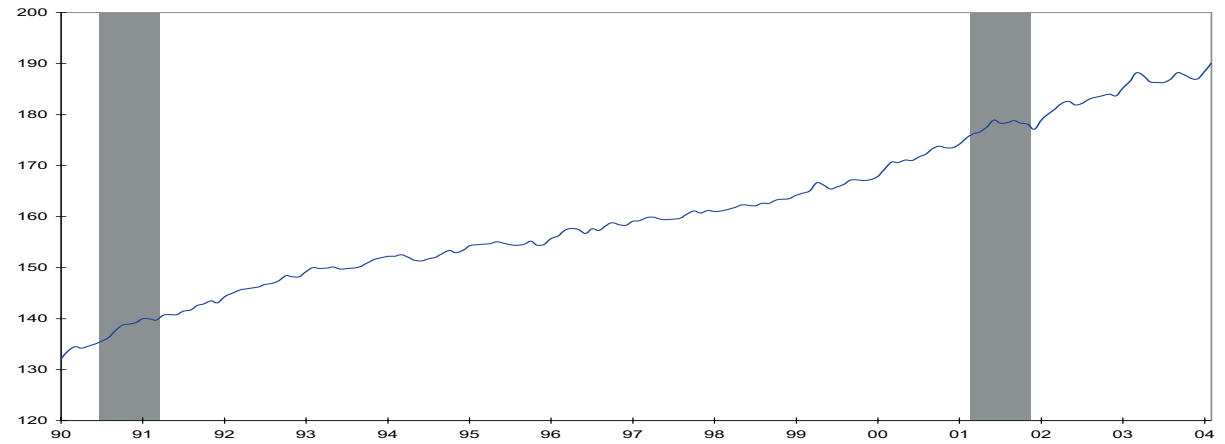
Initial &
Transitional
Claims for
Unemployment
Insurance
(Weekly Average,
Seasonally Adjusted)



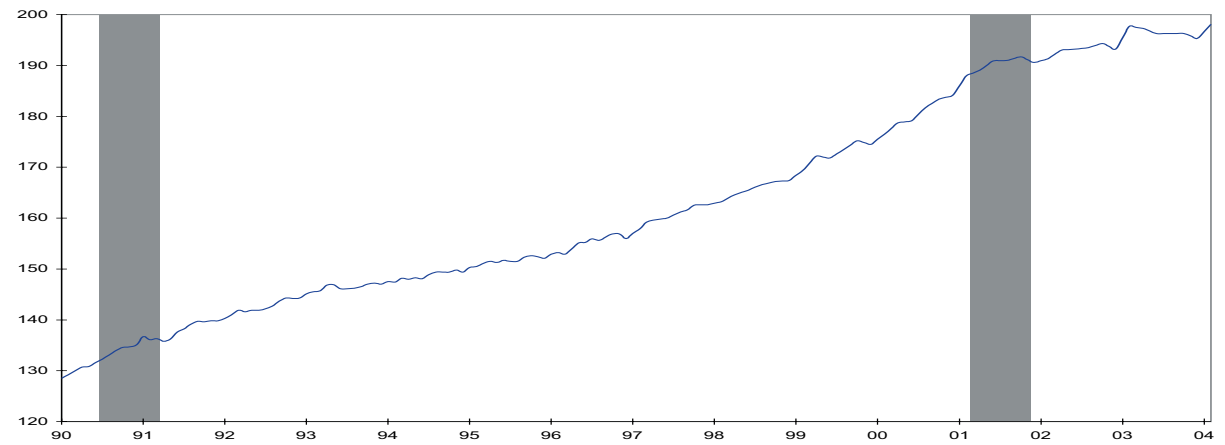
Unemployment,
Average Weeks
Claimed
(thousands,
Seasonally Adjusted)



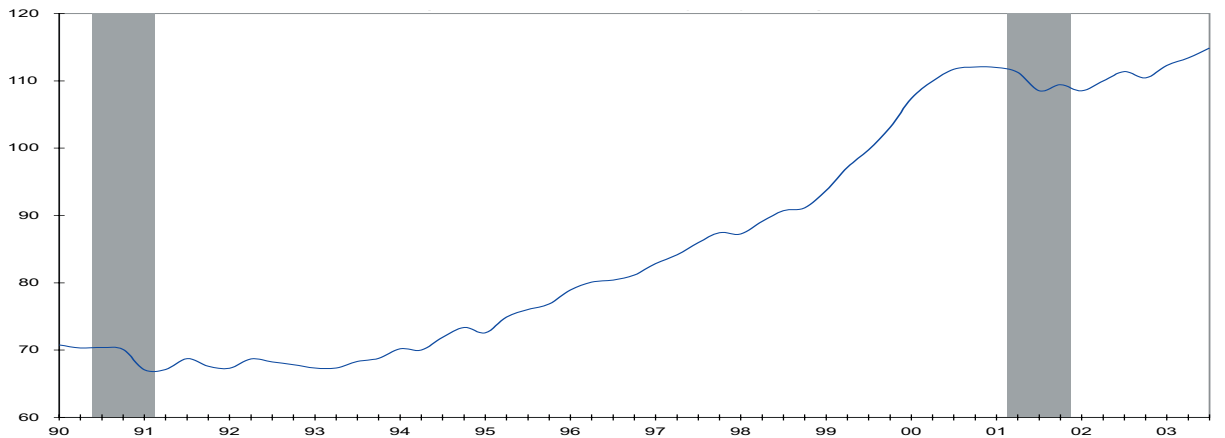
Consumer
Price Index,
Los Angeles
(1982-84=100)



Consumer
Price Index,
San Francisco
(1982-84=100)

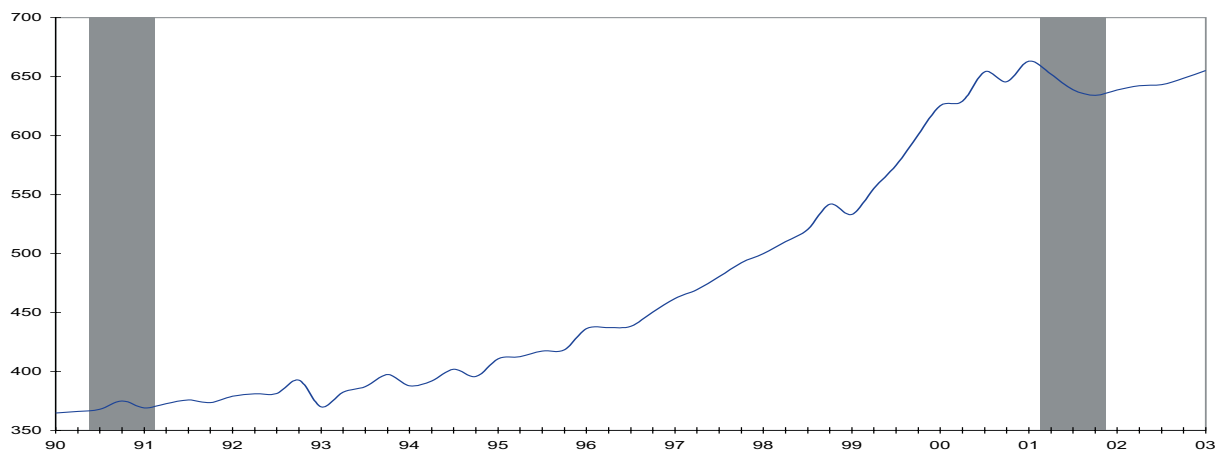


Taxable Sales
(Dollars in billions,
Seasonally Adjusted)



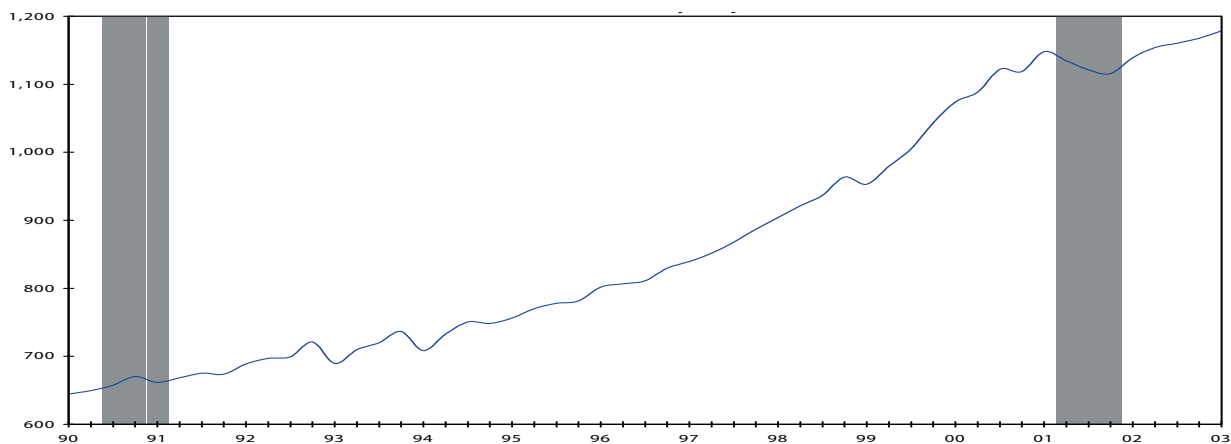
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



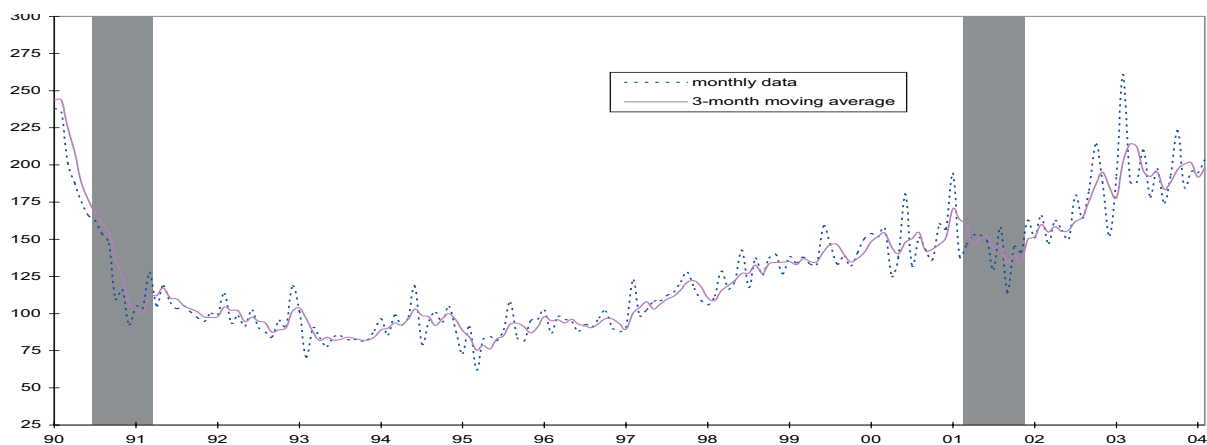
Personal Income

(Dollars in billions, Seasonally Adjusted)



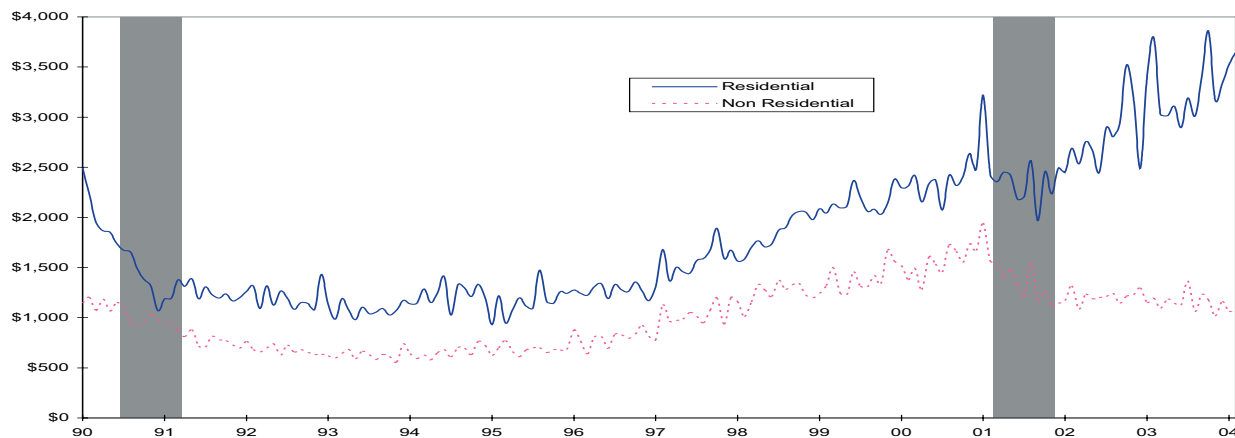
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)



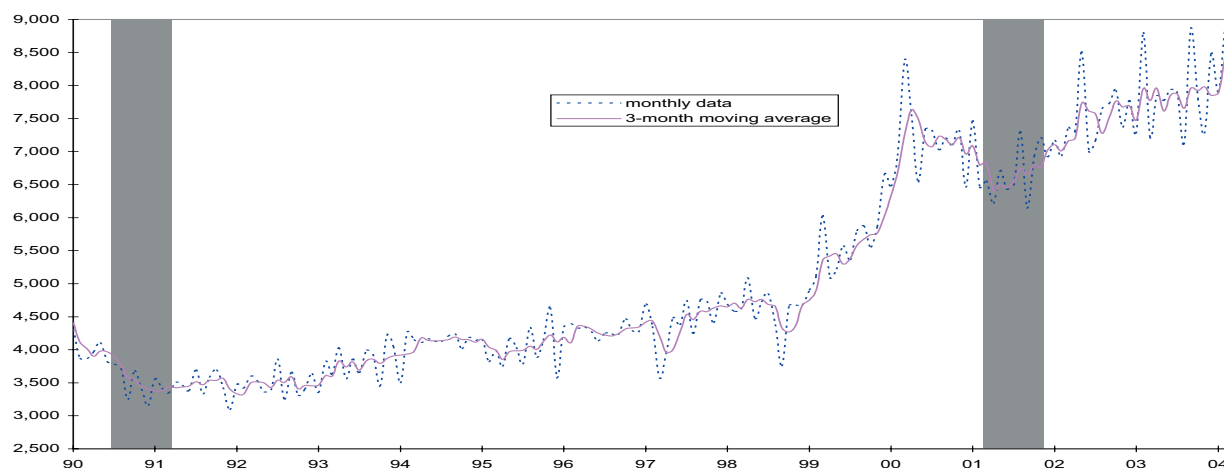
Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



BUSINESS CYCLES

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-2001

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128

■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2001

January 1	California's minimum wage raised from \$5.75 to \$6.25. The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
January 17	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January 31	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
March 19	OPEC to cut oil production by 1 million barrels a day.
March 19–20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7–8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.

August 29	Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11–14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.
November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.
December 31	Markets fall for a second straight year for the first time since 1974.

2002

January 1	Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.
April 25	Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
May 13	President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.
June 27	GDP up 6.1 percent in Q1.
July 5	Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
July 8	Intel launches its Itanium 2 chip.
July 10	President Bush called for stiffer penalties to eradicate corporate fraud.
July 15	Pfizer to buy Pharmacia.
July 16	The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.
July 21	WorldCom filed for bankruptcy protection.

July 22	The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
July 30	President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.
July 31	GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters. Venture capital investments hit four-year low.
August 8	IMF signed an emergency loan to Brazil.
August 11	U.S. Airways filed for bankruptcy.
August 20	The U.S. trade deficit narrowed in June, following two straight record monthly deficits.
September 27 –October 9	Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.
November 6	Federal funds rate reduced from 1.75 percent to 1.25 percent. Discount rate reduced from 1.25 percent to 0.75 percent.
December 9	United Airlines filed for bankruptcy protection.
December 19	Standard & Poor's lowered California's bond rating to an A from an A+.

2003

February 10	Moody's lowered California's bond rating to A2 from A1.
February 14–17	A major snowstorm hit the Middle Atlantic and Eastern states.
February 26	Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS).
March 20	Operation Iraqi Freedom begins.
April 9	Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.
April 14	President Bush declares conclusion of major combat operations in Iraq.
June 25	Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.
June 26	GDP up 1.4 percent in Q1.
July 17	The US recession ended in November 2001, according to NBER.
July 24	S&P lowered California's bond rating from "A" to "BBB".
July 25	United States Treasury begins mailing \$400 per child tax rebate checks.
August 2	Governor Gray Davis signs the 2003-04 state budget bill.
August 4	Moody's lowered California's bond rating from A2 to A3.
August 28	GDP grew at a revised 3.1 percent annual rate in the 2nd quarter.
September 3	Light vehicle sales in the U.S. reach 19.0 million in August, the second best monthly rate ever.
October 21	Wildfires breakout in Southern California, eventually burning 743,000 acres and destroying over 3,500 homes.

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- October 30** GDP grew by 7.2 percent, its fastest rate since 1984.
December 4 President Bush ends steel tariffs.
December 12 Dow Jones Industrial average closed above 10,000 for the first time since May 24, 2002.
December 13 Saddam Hussein captured by American troops.
December 23 Final report shows GDP grew by 8.2 percent in the third quarter, its fastest rate since 1984.
December 24 U.S. confirms first case of "mad cow" disease.

2004

- February 10** Unexpected cut in OPEC quota and cold weather contribute to higher oil prices.
February 11 Dow Jones Industrials closed at highest level in more than 2-1/2 years.

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